

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Independent Auditor's Reports  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings**

**December 31, 2013 and 2012**



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**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Lohrmann	Chairperson	11/4/2014
Keith Kelderman	Vice-Chairperson	11/4/2014
Aaron Stangl	Secretary	11/4/2017
Dean Hoffmann	Board Member	11/4/2019
Marsha Clausen	Board Member	11/4/2018
Kent Hilsabeck	Interim General Manager	Indefinite

# **M**UXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

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Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

March 13, 2014

To the Board of Trustees of the  
Manning Municipal Communications  
And Television System Utility

Report on the Financial Statements

I have audited the accompanying financial statements of the Manning Municipal Communications and Television System Utility (a Municipal Utility) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles described in Note 1. This includes determining the accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

March 13, 2014  
Manning Municipal Communications  
and Television System Utility  
Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Utility's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Communications and Television System Utility as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles described in Note 1.

March 13, 2014  
Manning Municipal Communications  
and Television System Utility  
Independent Auditor's Report

Basis of Accounting

As described in Note 1, these financial statements were prepared in conformity with U.S. generally accepted accounting principles.

Other Matters

*Supplementary and Other Information*

As described in Note 1, the financial statements are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Communications and Television System Utility.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Communications and Television System Utility's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



March 13, 2014  
Manning Municipal Communications  
and Television System Utility  
Independent Auditor's Report

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 14 and 37 through 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 13, 2014 on my consideration of Manning Municipal Communications and Television System Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manning Municipal Communications and Television System Utility's internal control over financial reporting and compliance.

Muxfeldt Associates, CPA, P.C.



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## **Management's Discussion and Analysis**

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Manning Municipal Communication and Television System Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2013. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

### **2013 Financial Highlights**

Operating revenues of the Utilities' activities decreased 7%, or \$58,998, from 2012 to 2013.

Operating expenses increased 1%, or \$11,288, from 2012 to 2013.

The Utility's deficit of business type activities increased by 7%, or \$31,328, from 2012 to 2013.

### **Using This Annual Report**

This annual report consists of a series of financial and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Position - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides comparative financial data with the prior year.

## **Basis of Accounting**

The Utility maintains its financial records on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and presents financial position and results of operations on that basis. The accrual basis of accounting recognizes revenue when earned and expenses when incurred irrespective of the timing of the related cash flows.

## **Reporting the Utility's Financial Activities**

### **Basic Financial Statements**

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used in most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all the Utility's assets and liabilities, with the difference between the two reported as "fund net position". Over time, increases or decreases in the Utility's fund net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing how the Utility's net position changed during the most recent year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report the following activity:

Business type activities including the cable utility, telephone utility and internet utility. These activities are financed primarily by user charges.

## Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Funds. These funds report services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Enterprise Funds include the cable utility, telephone utility and internet utility, collectively considered to be a major fund of the Utility. The Utility is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows.

## Basic Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net position for business type activities.

### Statements of Net Position December 31, 2013 and 2012

#### Business Type Activities - Enterprise Funds

	<u>Year Ended</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 253,000	\$ 275,117
Capital assets	103,446	132,734
Total assets	<u>\$ 356,446</u>	<u>\$ 407,851</u>
Long-term liabilities	\$ 735,000	\$ 770,000
Other liabilities	97,937	83,014
Total liabilities	<u>\$ 832,937</u>	<u>\$ 853,014</u>
Net position:		
Invested in capital assets, net of related debt	\$ -0-	\$ -0-
Restricted	6,532	6,232
Unrestricted	(483,023)	(451,395)
Total net position	<u>\$ (476,491)</u>	<u>\$ (445,163)</u>

Deficit net position of business type activities increased \$31,328 as compared to a deficit decrease of \$38,958 in the prior year. Unrestricted net position had a deficit of \$483,023, an increase of 7%, at the end of the year. Unrestricted net position can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The amount invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less the related debt is shown as zero because the debt exceeds book value. The related debt is larger than the net capital assets due to the fact that principal payments have not been made regularly on the debt, while depreciation continues to accumulate as fixed assets are depreciated over time. If the amount invested in capital assets were shown as a negative number, the unrestricted fund net position would be materially overstated. Accumulated net operating losses over the years caused deficit net position as of December 31, 2013 and 2012.

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Changes in Net Position for the Years Ended December 31, 2013 and 2012

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Business Type Activities - Enterprise Funds

	<u>2013</u>	<u>2012</u>
Revenues:		
Charges for Services	\$ 767,866	\$ 819,045
Service & Reconnect Charges	12,926	11,602
Advertising Fees	5,017	5,240
Miscellaneous Fees	2,599	3,486
Signal Charges	7,550	11,000
Headend Rent	3,250	2,200
Total Revenues	<u>799,208</u>	<u>852,573</u>
Operating Expenses:		
Production	368,899	381,335
Rent	176,849	176,849
Depreciation	31,778	30,848
Administrative and General	238,591	212,809
Total Operating Expenses	<u>816,117</u>	<u>801,841</u>
Net Operating Income	(16,909)	50,732
Non Operating Revenue (Expenses):		
Interest Income	737	1,170
Gain on Disposal of Equipment	-0-	5,200
Interest Expense	(15,156)	(18,144)
Total Non Operating Rev (Exp)	<u>(14,419)</u>	<u>(11,774)</u>

Increase (Decrease) in Net Position	(31,328)	38,958
Net Position, Beginning of Year	<u>(445,163)</u>	<u>(484,121)</u>
Net Position, End of Year	\$ <u>(476,491)</u>	\$ <u>(445,163)</u>

### Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, and other infrastructure. Capital assets for the business type activity totaled \$103,446 (net of accumulated depreciation) at December 31, 2013. The Utility purchased a server at a cost of \$2,490 and recorded depreciation of \$31,788.

<u>Capital Assets at Year End</u>		
	<u>2013</u>	<u>2012</u>
Headhouse	\$ 61,972	\$ 61,972
Distribution	52,678	52,678
General	50,837	50,007
Internet	144,680	143,850
Telephone	841,948	841,118
Total	<u>1,152,115</u>	<u>1,149,625</u>
Less: Accumulated Depreciation	<u>(1,048,669)</u>	<u>(1,016,891)</u>
Net Capital Assets	\$ <u>103,446</u>	\$ <u>132,734</u>

### Debt Administration

At December 31, 2013, the Utility had \$735,000 in total long-term debt outstanding for the business type activity, compared to \$770,000 last year as shown below.

	<u>12/31/13</u>	<u>12/31/12</u>
Note Payable -		
Manning Municipal Light Plant	\$ 235,000	\$ 270,000
Note Payable -		
Manning Municipal Gas Dept	500,000	500,000
Total	\$ <u>735,000</u>	\$ <u>770,000</u>

## **Economic Factors Bearing on the Communication Utility's Future**

Carrier access and landline revenues continue to rapidly decline. A new generation of customers no longer relies on home phone and landline usage, but relies solely on cellular usage and internet media sites for daily communications. 10 - 15 years ago, phone service was MMCTSU's main source of revenue. Today, the main source of revenue is internet service, due to society's high demand for faster and faster internet capabilities.

The use of the mobile network has played a crucial role behind the growth of an improved telecommunications industry. Society relies on the internet for both personal and business usage. Due to this huge shift in demand, leading companies are showing their interest to invest in this telecommunications industry thus resulting in a highly competitive market. Currently, MMCTSU is in constant competition with Windstream, Direct TV and Dish Network. These companies often use ruthless marketing tactics in rural areas, selling their services at a loss to rural customers in order to drive out the local competition. Once the competition has been eliminated, they hike up prices. This is the biggest hurdle MMCTSU faces. Due to a limited customer base, MMCTSU can only target the residents and businesses of Manning whereas these other companies are not as confined geographically, have a larger customer base, and thus can target in specific market areas at a loss yet maintain overall profitability.

MMCTSU is making several investments and advances in the utility to update equipment that will provide faster internet speeds in order to meet customer expectations. In 2014, the utility will be undergoing a major internet network upgrade.

During the year 2014, channels that MMCTSU currently carries will be negotiating new contracts with our Off-Air channels and the NCTC, a co-op of which we are a member. Expected costs for systems to carry TV channels provided by content providers are estimated to significantly increase. This is due to Content Providers, or TV Channels, charging significantly more for the "right" to view their content. This ultimately will lead to potential increases on the Utility customers' bills. MCTSU continues to battle against content providers in order to provide a cost effective service. MMCTSU also continues to carry contracts with Templeton and Scranton wherein each pays MMCTSU per subscriber, per channel transported monthly. Our future goal within the next 5 years is to upgrade our Cable TV service to a digital platform.

As retransmission rates for cable TV increase along with the annual operating costs, MCTSU faces a constant struggle to provide competitive prices and services to the community.



## **Contacting the Communication Utility's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Communication Utility's finances and operating activities. If you have questions about this report or need additional financial information, contact Manning Municipal Communications and Television System Utility, 719 Third Street, Manning, Iowa 51455.



## **BASIC FINANCIAL STATEMENTS**



**Exhibit A****MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY****Statements of Net Position  
- Proprietary Funds  
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash	\$ 172,502	\$ 206,617
Restricted Cash - Customer Deposits	6,532	6,232
Accounts Receivable - Customers - net of allowance	29,929	19,161
Accounts Receivable - Carrier Access Fees - net	11,664	16,136
Accounts Receivable - Miscellaneous	8,591	4,686
Inventory	19,339	18,051
Prepaid Expenses	4,443	4,234
Capital Assets (Net of Accumulated Depreciation)	103,446	132,734
Total Assets	<u>\$ 356,446</u>	<u>\$ 407,851</u>
<b>Liabilities</b>		
Accounts Payable - Operating	\$ 28,954	\$ 19,697
Deferred Income	28,395	27,951
Customer Deposits Payable	6,532	6,232
Accrued Wages and PTO Payable	7,099	5,892
Other Taxes Payable	8,593	1,810
Accrued Interest Payable	15,156	18,144
Real Estate Taxes Payable	3,208	3,288
Notes Payable (payable after one year)	735,000	770,000
Total Liabilities	<u>832,937</u>	<u>853,014</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	-0-	-0-
Restricted for:		
Customer Deposits	6,532	6,232
Unrestricted (Deficit)	<u>(483,023)</u>	<u>(451,395)</u>
Total Net Position (Deficit)	<u>(476,491)</u>	<u>(445,163)</u>
Total Liabilities and Net Position	<u>\$ 356,446</u>	<u>\$ 407,851</u>

See accompanying notes to financial statements

**Exhibit B****MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY****Statements of Revenues, Expenses  
And Changes in Fund Net Position  
- Proprietary Funds  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenues - Cable		
Basic TV	\$ 288,076	\$ 271,588
Movie Packages	14,106	15,504
TIVO	2,593	(2,568)
	<u>304,775</u>	<u>284,524</u>
Cost of Sales - Cable		
Signal charges	<u>205,633</u>	<u>203,006</u>
Net Operating Revenues - Cable	99,142	81,518
Operating Revenues - Telephone		
Local Access	139,674	148,529
Local Tolls	25,773	31,306
Carrier Access Fees	75,997	113,479
USAC Revenue	1,090	3,501
Calling Features	17,825	18,275
	<u>260,359</u>	<u>315,090</u>
Cost of Sales - Telephone		
Long Distance Switching Fees	33,153	37,142
Switching Fees - Templeton	55,000	60,000
Carrier Access Fees	9,912	10,849
Local Billing Fees	3,459	3,513
Subscriber Services	7,008	7,242
	<u>108,532</u>	<u>118,746</u>
Net Operating Revenues - Telephone	151,827	196,344

See accompanying notes to financial statements

**Exhibit B**  
**(Continued)**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses  
And Changes in Fund Net Position  
- Proprietary Funds  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenues - Internet		
Unlimited Service	\$ 299	\$ 556
Unlimited Service on Contract	-0-	187
Ten Hour Plan	143	143
Cable Modem Income	166,851	176,427
Other Fees	10,166	11,090
Wireless Internet	21,993	21,188
Ethernet Income	3,280	9,840
	<u>202,732</u>	<u>219,431</u>
 Cost of Sales - Internet		
Internet Expenses	<u>54,734</u>	<u>59,583</u>
 Net Operating Revenues - Internet	147,998	159,848
 Other Operating Revenues		
Advertising Fees	5,017	5,240
Miscellaneous	2,599	3,486
Hookup Fees	665	600
Reconnect Charges	2,156	2,134
Service Charges	10,105	8,868
Signal charges - Templeton & Scranton	7,550	11,000
Headend Rent	3,250	2,200
Total Other Operating Revenues	<u>31,342</u>	<u>33,528</u>
 Net Operating Revenues Before Expenses	430,309	471,238
 Operating Expenses (Schedule 1)	<u>447,218</u>	<u>420,506</u>
 Net Operating Income (Loss)	(16,909)	50,732

See accompanying notes to financial statements





**Exhibit B**  
**(Continued)**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses  
And Changes in Fund Net Position  
- Proprietary Funds  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Net Operating Income (loss)	\$ (16,909)	\$ 50,732
Non-Operating Revenues (Expenses)		
Interest Income	737	1,170
Gain of Disposal of Equipment	-0-	5,200
Interest Expense	<u>(15,156)</u>	<u>(18,144)</u>
Total Non-operating Revenues (Expenses)	<u>(14,419)</u>	<u>(11,774)</u>
Change in Net Position	(31,328)	38,958
Net Position, Beginning (Deficit)	<u>(445,163)</u>	<u>(484,121)</u>
Net Position, Ending (Deficit)	\$ <u>(476,491)</u>	\$ <u>(445,163)</u>

See accompanying notes to financial statements

**Exhibit C****MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY****Statements of Cash Flows  
- Proprietary Funds  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	\$ 757,542	\$ 800,749
Cash Received from Other Revenues	31,909	29,007
Cash Paid to Suppliers	(360,930)	(363,034)
Cash Paid for Personal Services	(325,201)	(305,091)
Cash Paid to Employees	<u>(82,538)</u>	<u>(80,964)</u>
Net Cash Provided by Operating Activities	20,782	80,667
Cash Flows from Noncapital Financing Activities:		
Change in Customer Deposits	<u>300</u>	<u>-0-</u>
Net Cash Provided by Noncapital Financing Activities	300	-0-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(2,490)	(28,393)
Sale of Capital Assets	-0-	5,200
Principal Paid on Notes	(35,000)	(25,000)
Interest Paid on Notes	<u>(18,144)</u>	<u>(18,949)</u>
Net Cash Used by Capital and Related Financing Activities	(55,634)	(67,142)
Cash Flows from Investing Activities:		
Interest on Investments	<u>737</u>	<u>1,170</u>
Net Cash Provided by Investing Activities	<u>737</u>	<u>1,170</u>
Net Increase (decrease) in Cash and Cash Equivalents	(33,815)	14,695
Cash and Cash Equivalents - Beginning of Year	<u>212,849</u>	<u>198,154</u>
Cash and Cash Equivalents - End of Year	\$ <u>179,034</u>	\$ <u>212,849</u>

See accompanying notes to financial statements

**Exhibit C**  
**(Continued)**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Statements of Cash Flows  
- Proprietary Funds  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ (16,909)	\$ 50,732
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	31,778	30,848
(Increase) Decrease in Customer Accounts Receivable	(10,768)	17,324
(Increase) Decrease in Other Receivables	567	4,521
(Increase) Decrease in Inventories	(1,288)	(3,585)
(Increase) Decrease in Prepaid Expenses	(209)	(946)
Increase (Decrease) in Accounts Payable	9,257	(16,940)
Increase (Decrease) in Salaries Payable	1,207	398
Increase (Decrease) in Deferred Income	444	972
Increase (Decrease) in Other Payables	<u>6,703</u>	<u>(2,657)</u>
Net Cash Provided by Operating Activities	\$ <u>20,782</u>	\$ <u>80,667</u>
Reconciliation of Cash and Cash Equivalents at Year End		
To Specific Assets Included on the Statements of Net Position:		
Current Assets:		
Cash and Pooled Investments	\$ 172,502	\$ 206,617
Restricted Assets:		
Cash and Pooled Investments:		
Customer Deposits	<u>6,532</u>	<u>6,232</u>
Cash and Cash Equivalents, End of Year	\$ <u>179,034</u>	\$ <u>212,849</u>

See accompanying notes to financial statements



## **NOTES TO FINANCIAL STATEMENTS**

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 1 Summary of Significant Accounting Policies**

#### Nature of Business

The Manning Municipal Cable Board was established October 12, 1981, by the Manning City Council, for the purpose of designing, implementing, constructing, operating and maintaining the Manning Municipal Cable System, located in Carroll County and operating in the City of Manning, Iowa.

By vote of a special election held September 24, 1996, a municipal cable communication and television system utility was subsequently established on January 23, 1997. The Manning Municipal Cable Board formally transferred all of the Cable TV's assets, liabilities, retained earnings, powers, records and unfinished business at January 23, 1997, to the Manning Municipal Communications and Television System Utility (MMCTSU). With that action, all official records of the Manning Municipal Cable System were closed.

As of the transfer date, the MMCTSU Board acquired all powers as authorized by law and shall provide all services it deems necessary and convenient as permitted by law including, without limitation, video, voice, telephone, data, communication, interconnections and all other forms of communications, whether to date existing or yet to be developed as set forth in a resolution adopted by the Manning City Council on November 4, 1996.

The mission of MMCTSU is to develop and implement a comprehensive communications system incorporating the elements of telephony, cable television, broadband communications and any other technologies approved by the Utility Board.

The Utility's revenues are dependent upon the economic status of its customers. Collection policies have been established.

The Utility also collects carrier access fees from other telephone companies for the use of MMCTSU's telephone lines.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### Reporting Entity

MMCTSU is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board when determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Utility is governed by a five-member board of trustees appointed by the City Council. MMCTSU itself has no component units which meet the Governmental Accounting Standards Board criteria.

The financial statements include only those funds of MMCTSU and are not intended to present all funds of the City of Manning, Iowa.

#### Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the Utility. Some Utility officials are members of the following boards: Manning Municipal Light Plant and the Manning Municipal Gas Department.

#### Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

The Utility's financials statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when the liability is incurred.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### Measurement Focus and Basis of Accounting (Continued)

The proprietary fund of the Communication Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncement conflicts with or contradicts GASB Pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with an Enterprise fund's principal ongoing operations. The principal operating revenues of the Communication Utility include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### Basis of Presentation

The Statement of Net Position presents the Communication Utility's assets and liabilities, with the difference reported as fund net position. Net position is reported in three categories.

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. MMCTSU'S outstanding debt attributable to capital assets exceeds the net capital assets. Therefore, the invested in capital assets, net of related debt, is shown at zero until such time that net capital assets exceeds related debt.

Restricted Net Position result when constraints placed on net position use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of fund net position not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.



# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted to the City of Manning for approval in the City's budget process. The budgetary comparison and related disclosures are reported as Other Information. During the year ended December 31, 2013, disbursements did not exceed amounts budgeted.

#### Cash and Cash Equivalents

Cash consists of money in checking and savings accounts. For purposes of the Statement of Cash Flows, the Utility considers all deposits to be cash equivalents.

#### Accounts Receivable - Customers

Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided. The allowance for doubtful accounts is \$3,053 for 2013 and 2012.

The cable TV, phone, internet and TIVO bills are all generated by an outside company. The bills are sent out approximately on the 15<sup>th</sup> of each month and cover the long distance phone calls for the previous month and the cable TV, internet, tivo and local phone service for the next month. The customers have 20 days to pay their bills before a 1.5% penalty of the total bill get added to their accounts. Delinquent customers have a 10 day grace period before disconnection occurs. The reconnection fee is \$25.

# MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

## Notes to Financial Statements December 31, 2013

### Note 1 Summary of Significant Accounting Policies (Continued)

#### Accounts Receivable - Carrier Access Fees

Carrier access fees are fees due from various phone companies when MMCTSU's customers select another phone company for their long distance phone services. As of December 31, 2013 and 2012, no allowance for doubtful accounts for CABS was presented as all accounts were deemed collectible.

Various phone companies are billed by an outside Company on behalf of MMCTSU for long distance usage.

#### Inventory

Material and supplies are stated at average cost on a per item basis. Cost is determined by the first-in, first-out method.

#### Capital Assets

Capital assets include property, plant and equipment and they are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Land, Buildings, Improvements, Towers and Antennas	25-40 years
Earth Station, Electronics and Service Drops	10-15 years
Converters and Remotes	10 years
Traps and Other Equipment	5-15 years
Internet Equipment	5-10 years
Telephony Equipment	5-10 years

Capital asset activity for the year ended December 31, 2013 is summarized as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assts	\$ 1,149,625	\$ 2,490	\$ -0-	\$ 1,152,115
Accumulated Depreciation	1,016,891	31,778	-0-	1,048,669
Net Capital Assets	\$ 132,734	\$ 34,268	\$ -0-	\$ 103,446
Depreciation Charged				\$ 31,778

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### Capital Assets (Continued)

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments that materially extend the life of an asset are capitalized.

The cost and related accumulated depreciation on capital assets sold or retired are eliminated from the accounts at the time of disposal and the resulting gain or loss is reflected in other revenue (expense).

#### Customer Deposits

Customer deposits are collected from new customers before service commences. Any customer that can not provide a credit letter from a previous utility is charged a \$50 deposit. Customers in good standing receive a full refund of their deposit after six months of service.

#### Operating Revenues

Cable TV revenues are based on billing rates for subscriber fees to cable television. These subscriber fees are normally collected one month in advance.

Internet fees are billed to customers by MMCTSU one month in advance. As of January 1, 2008, Templeton Telephone Co. and Iowa Network Services provide dial up internet access and related services to MMCTSU. High speed internet access is provided by MMCTSU.

Local access telephone fees are billed one month in advance whereas long distance toll services are billed out after the calls occur. Carrier access fees are also billed to the various Long Distance Carriers for their line access charges after the charges are incurred.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that offset certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 2 Deposits**

The Utility's deposits at December 31, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility's cash at December 31, 2013 is as follows:

Restricted - Customer Deposits	\$	6,532
Unrestricted		172,502
	\$	<u>179,034</u>

### **Note 3 Related Party Transactions**

#### Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and MMCTSU entered into a joint agreement regarding a communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communications Utility has been granted the right to use the distribution system, the headend building, and the Municipal building for its functions for a term of 25 years. The Communication Utility is required to pay \$170,849 every year for 25 years. The first payment was made on June 30, 2002. During the year ended December 31, 2008, the Utility requested a received a one-year moratorium on the annual lease payment of \$170,849.

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements  
December 31, 2013**

**Note 3 Related Party Transactions (Continued)**

Other

The Utility had business transactions between the Utility and Utility officials totaling \$-0- and \$562 during the years ended December 31, 2013 and 2012, respectively.

Beginning June 1, 2007, MMCTSU paid \$500 rent per month to the City of Manning for office space. Total rent paid to the City of Manning for 2013 and 2012 was \$6,000 per year.

**Note 4 Related Party – Notes Payable**

	<u>2013</u>	<u>2012</u>
Note Payable to Manning Municipal Light Plant in the original amount of \$500,000 to be used for the broadband communications system. The interest rate is adjusted annually on July 15th of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2013 and 2012 were 1.50% and 2.40%, respectively. The Communication's net revenues are pledged to pay off amounts due as allowable.	\$235,000	\$270,000

# MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

## Notes to Financial Statements December 31, 2013

### Note 4 Related Party – Notes Payable (Continued)

	<u>2013</u>	<u>2012</u>
Note Payable to Manning Municipal Gas Department in the amount of \$500,000 to be used for the broadband communications system. The interest rate shall be adjusted annually on July 15 <sup>th</sup> of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2013 and 2012 were 1.50% and 2.40%, respectively. The Communication's net revenues are pledged to pay off amounts due as allowable.		
	\$500,000	\$500,000
Total	<u>\$735,000</u>	<u>\$770,000</u>

These notes payable to Manning Municipal Light Plant and Manning Municipal Gas Department do not have a specific payoff schedule. Payments made depend upon the net revenues of the Communication Utility. In 2004, the Manning Municipal Light Plant forgave \$200,000 of its note to the Communication Utility.

### Note 5 Contract Commitments

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for video signal. TTC obtains a cable television signal from MMCTSU for transmission via TTC's Cable Television System subject to certain terms and conditions. MMCTSU is currently charging TTC \$1,400 per month for video signal.

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for switching services. TTC is a local telecommunications carrier with a particular expertise in the provision of certain switching functions and feature applications for the transmission, reception, monitoring, and routing of telecommunications traffic. The five year agreement required monthly fees of \$8,000 and continued until a new three year agreement was negotiated for \$5,000 per month. The new agreement became effective December 1, 2011 and expires November 30, 2014.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 5 Contract Commitments (Continued)**

In 2005, MMCTSU entered into a Video Signal Agreement with Scranton Telephone Company (STC). STC is a telecommunications company that provides cable television service to its customers in the Scranton franchise areas. STC obtains a cable television signal from MMCTSU for transmission via STC's cable television system subject to the terms and conditions spelled out in the agreement. The agreement shall continue in full force and effect until January 1, 2015. The rate for this video signal is a monthly charge of \$250.

Effective December 1, 2006, the Communication and Information Services Agreement between Long Lines and MMCTSU was terminated. MMCTSU agreed to pay Long Lines \$30,000 in exchange for a general release of all claims of Long Lines relating to the agreement. Upon termination of the agreement, Long Lines had the option to either remove its related equipment from its present location in the Utilities' building or pay MMCTSU \$200 per month rent for the facility and \$50 for fiber lease. Long Lines opted to continue using the facility, however, they were exempted from the agreed upon rent of \$200 per month until July 2009.

Iowa Network Services, Inc. (INS) offers a switching and transport agreement to MMCTSU for both originating and terminating traffic, which virtually extends the MMCTSU's network from the point where it interconnects with the INS network to the meet point of the Commercial Mobile Radio Service (CMRS) provider. This enables MMCTSU to originate traffic to and receive wireless traffic from any CMRS provider. This agreement shall have an initial term of two years. It shall thereafter remain in full force and effect for successive terms of two years each, subject to the right of either party to give the other party written notice of its intent to terminate the agreement not less than 120 days prior to the expiration of the then current term. The initial term started in December 2006.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 5 Contract Commitments (Continued)**

MMCTSU also has a consolidated billing agreement with Iowa Network Services (INS), which was signed in December 2006. INS will perform monthly settlements for reciprocal compensation traffic measurements, bill issuance, bill consolidation, bill collection service and disbursement of the net amounts due per contract terms, between MMCTSU and CMRS providers. This agreement shall remain in effect until cancelled by either party by written notice to the other party of not less than 120 days.

An agreement for Internet Service was entered into and made effective December 15, 2007 between Templeton Telephone Company (TTC) and Manning Municipal Communications and Television Service Utility (MMCTSU). TTC's network is connected to Iowa Network Service Utility (INS) network at a point of presence located at Templeton, Iowa. TTC agrees to lease to MMCTSU 35MB of bandwidth to transport internet traffic between MMCTSU's wireless network and the INS network. The agreement shall continue in full force for a term of three years from the date the leased bandwidth is first provided and shall automatically renew for additional one year terms unless terminated by either party giving written notice at least ninety (90) days prior to the expiration. The monthly rate to be paid to TTC for the bandwidth is \$2,843.

In connection with the Internet Service Agreement with TTC, MMCTSU also needed to enter into a Virtual ISP Internet Services Reseller Agreement with Iowa Network Services, Inc. (INS). This would allow MMCTSU to resell INS' wholesale internet access service to current and prospective MMCTSU subscribers. MMCTSU will pay INS a set fee per customer (currently \$7.50 per month) and then MMCTSU can resell the wholesale accounts to their retail customers at whatever fee they shall choose. This contract shall be for a term for one year beginning December 15, 2007 and shall continue on a month-to-month basis thereafter.



# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 6 Pension and Retirement Benefits**

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Through June 30, 2013, plan members were required to contribute 5.78% of their annual salary and employers were required to contribute 8.67% of annual payroll. As of July 1, 2013, IPERS contribution rates increased to 5.95% for members and 8.93% for employers. Contribution requirements are established by state statute. The Utility's contribution to IPERS for the years ended December 31, 2013 and 2012 were \$7,263 and \$6,778, respectively, equal to the required annual contributions.

### **Note 7 Other Postemployment Benefits (OPEB)**

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retirees benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the Utility and plan members are \$817 for family coverage and \$327 for single coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2013, the Utility contributed \$11,919 and plan member eligible for benefits contributed \$1,324, 90 percent and 10 percent, respectively.



# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Notes to Financial Statements December 31, 2013**

### **Note 8 Compensated Absences**

As of January 1, 2005, MMCTSU adopted a new paid time-off (PTO) policy for eligible employees to use for vacation, illness and personal business. It combined traditional vacation and sick leave plans into one flexible, paid time-off policy. Under the new PTO policy, MMCTSU's liability is limited to 240 hours which is the maximum number of hours that can be accrued and paid out upon termination. After an employee accumulates 240 hours, the remaining hours roll into a Long Term Bank (LTB). The LTB hours are not paid out upon termination and are capped at 960 hours.

The PTO is paid at the employee's base rate of pay at the time of absence. In the event that available PTO is not used by the end of the benefit year, employees may carry up to 240 hours to the next benefit year. The hours in the LTB can only be used for family or personal illness and all regular PTO hours must be used before using LTB hours.

The accumulated liability for PTO totaled \$4,281 and \$3,457 as of December 31, 2013 and 2012, respectively.

### **Note 9 Risk Management**

MMCTSU is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **Note 10 Deficit Balances**

MMCTSU had fund deficits of \$476,491 and \$445,163 for the years ended December 31, 2013 and 2012, respectively.



## **OTHER INFORMATION**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Budgetary Comparison Schedule of Revenues, Expenses and  
Changes in Fund Net Position – Budget and Actual (Cash Basis)  
- Proprietary Funds  
For the Year Ended December 31, 2013**

	<u>Accrual Basis</u>	<u>Accrual Adjustment</u>	<u>Cash Basis</u>
Receipts			
Charges for Services	\$ 767,866	\$ (10,324)	\$ 757,542
Non-operating	<u>32,079</u>	<u>867</u>	<u>32,946</u>
Total Receipts	799,945	(9,457)	790,488
Expenditures			
Cost of Services	368,899	(7,969)	360,930
Operating Expenses	447,218	(39,479)	407,739
Non-operating	<u>15,156</u>	<u>40,478</u>	<u>55,634</u>
Total Expenditures	<u>831,273</u>	<u>(6,970)</u>	<u>824,303</u>
Net Change	(31,328)	\$ <u>(2,487)</u>	\$ <u>(33,815)</u>
Net Position (Deficit) at Beginning of Year	<u>(445,163)</u>		
Net Position (Deficit) at End of Year	\$ <u>(476,491)</u>		

See accompanying independent auditor's report

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Budgetary Comparison Schedule of Revenues, Expenses and  
Changes in Fund Net Assets – Budget and Actual (Cash Basis)  
Proprietary Funds  
For the Year Ended December 31, 2013**

<u>Original and Final Budget</u>	<u>Final to Actual Variance</u>
\$ 847,690	\$ (90,148)
35,000	(2,054)
<u>882,690</u>	<u>(92,202)</u>
509,850	148,920
463,427	55,688
78,144	22,510
<u>1,051,421</u>	<u>227,118</u>
\$ <u>(168,731)</u>	\$ <u>134,916</u>

See accompanying independent auditor's report





**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Notes to Required Supplementary Information  
Budgetary Reporting  
For the Year Ended December 31, 2013**

The budgetary comparison is presented as in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, MMCTSU annually adopts a budget, which is submitted to the City for approval in the City's budget process. The annual budget may be amended during the year utilizing statutorily prescribed procedures. All MMCTSU's disbursements are included in business-type activities function.

During the year ended December 31, 2013, disbursements did not exceed the amounts budgeted in the business type activities functions.



## **SUPPLEMENTARY INFORMATION**



**Schedule 1**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Schedule of Operating Expenses  
For Years Ended December 31, 2013 and 2012**

	<u>2013</u>		<u>2012</u>
Operating Expenses			
Accounting	\$ 7,194	\$	7,229
Advertising	158		336
Cable Modems	-0-		1,008
Computer expense	3,936		476
Depreciation	31,778		30,848
Dues and Subscriptions	4,432		3,040
Employee Insurance	13,244		11,471
Headhouse - Maintenance	11,760		6,489
Headhouse - Other	-0-		401
Insurance	14,115		11,706
Legal Publication	997		784
Legal and Professional Services	11,903		4,106
Miscellaneous	8,612		11,169
Payroll Taxes & Retirement	13,399		12,813
Postage	4,203		4,198
Property Taxes	3,070		2,696
Rent - Distribution System	170,849		170,849
Rent - Office Space	6,000		6,000
Seminars and Meetings	62		298
Small Tools	182		104
Software Maintenance	11,247		11,183
Supplies - General	18,189		17,784
Telephone	4,793		3,905
Tower maintenance	4,116		-0-
Trustee Fees	2,995		2,995
Uniforms	190		321
Utilities	11,216		12,985
Vehicle Expense	3,794		3,782
Wages	83,745		80,964
Wireless Internet Expense	1,039		566
Total Operating Expenses	\$ <u>447,218</u>	\$	<u>420,506</u>

See accompanying independent auditor's report

**Schedule 2****MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY****Schedule of Capital Assets and Accumulated Depreciation  
For Years Ended December 31, 2013 and 2012**

	Capital Assets			
	December 31, 2012	Additions	Retirements	December 31, 2013
Headhouse				
Building	\$ 8,825	\$ -0-	\$ -0-	\$ 8,825
Electronics & Equipment	53,147	-0-	-0-	53,147
	<u>61,972</u>	<u>-0-</u>	<u>-0-</u>	<u>61,972</u>
Distribution				
Service Drops	25,219	-0-	-0-	25,219
Converters & Remotes	15,196	-0-	-0-	15,196
Traps	12,263	-0-	-0-	12,263
	<u>52,678</u>	<u>-0-</u>	<u>-0-</u>	<u>52,678</u>
General				
Office furniture	6,173	-0-	-0-	6,173
Vehicles	14,552	-0-	-0-	14,552
Equipment	15,878	-0-	-0-	15,878
Internet	13,404	830	-0-	14,234
	<u>50,007</u>	<u>830</u>	<u>-0-</u>	<u>50,837</u>
Internet				
Equipment	121,035	830	-0-	121,865
Building	8,684	-0-	-0-	8,684
Vehicles	14,131	-0-	-0-	14,131
	<u>143,850</u>	<u>830</u>	<u>-0-</u>	<u>144,680</u>
Telephony				
Building	8,684	-0-	-0-	8,684
Vehicles	14,130	-0-	-0-	14,130
Equipment	806,471	-0-	-0-	806,471
Electronics	11,833	830	-0-	12,663
	<u>841,118</u>	<u>830</u>	<u>-0-</u>	<u>841,948</u>
Totals	\$ <u>1,149,625</u>	\$ <u>2,490</u>	\$ <u>-0-</u>	\$ <u>1,152,115</u>

**Schedule 2**  
**(Continued)**

**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Schedule of Capital Assts and Accumulated Depreciation  
For Years Ended December 31, 2013 and 2012**

Useful Lives	Accumulated Depreciation			December 31, 2013
	December 31, 2012	Current Provision	Retirements	
40 years	\$ 1,781	\$ 227	\$ -0-	\$ 2,008
10-15 years	46,489	3,588	-0-	50,077
	<u>48,270</u>	<u>3,815</u>	<u>-0-</u>	<u>52,085</u>
15 years	18,232	1,681	-0-	19,913
10 years	8,307	1,253	-0-	9,560
5 years	12,262	-0-	-0-	12,262
	<u>38,801</u>	<u>2,934</u>	<u>-0-</u>	<u>41,735</u>
5-10 years	5,686	324	-0-	6,010
5 years	5,860	1,893	-0-	7,753
5-15 years	13,428	1,016	-0-	14,444
5-10 years	13,404	-0-	-0-	13,404
	<u>38,378</u>	<u>3,233</u>	<u>-0-</u>	<u>41,611</u>
5-10 years	89,902	7,952	-0-	97,854
39 years	1,754	222	-0-	1,976
5 years	5,440	1,893	-0-	7,333
	<u>97,096</u>	<u>10,067</u>	<u>-0-</u>	<u>107,163</u>
39 years	1,754	222	-0-	1,976
5 years	5,440	1,893	-0-	7,333
5-10 years	775,634	9,434	-0-	785,068
7 years	11,518	180	-0-	11,698
	<u>794,346</u>	<u>11,729</u>	<u>-0-</u>	<u>806,075</u>
	<u>\$ 1,016,891</u>	<u>\$ 31,778</u>	<u>\$ -0-</u>	<u>\$ 1,048,669</u>

See accompanying independent auditor's report





**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Prepared in Accordance with  
*Government Auditing Standards***

# MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 13, 2014

Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Prepared in Accordance with  
*Government Auditing Standards*

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**Licensed In:**

Iowa  
Missouri

To the Board of Trustees of the  
Manning Municipal Communications  
and Television System Utility

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Manning Municipal Communications and Television System Utility, as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise the Utility's basic financial statements, and have issued my report thereon dated March 13, 2014. My report expressed an unmodified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Manning Municipal Communications and Television System Utility's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Municipal Communications and Television System Utility's internal control. Accordingly, I do not express an opinion on the effectiveness of the Manning Municipal Communications and Television System Utility's internal control.

To the Board of Trustees of the  
Manning Municipal Communications  
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My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Manning Municipal Communications and Television System Utility's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items I-A and I-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies identified were of the same nature as the deficiencies described in the accompanying Schedule of Findings as item I-B, but of lesser magnitude.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manning Municipal Communications and Television System Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.



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Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2013, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### MMCTSU's Responses to Findings

Manning Municipal Communications and Television System Utility's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. MMCTSU's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Manning Municipal Communications and Television System Utility during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 Murphy & Associates, CPA, P.C.



# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Schedule of Findings Year Ended December 31, 2013**

### **Part I Findings Related to the Financial Statements**

#### **INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Currently, one employee has custody of receipts and performs all record-keeping pertaining to receipts for the Utility, including reconciliations and maintaining the accounts receivable records.

Recommendation - I realize that a segregation of duties is impossible with only one office employee. Operating procedures should be monitored by management and the board of trustees to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of staff available to perform these duties, options available are limited. However, we will continue to monitor procedures to compensate for this weakness in internal control over financial reporting.

Conclusion - Response accepted.

- (B) Material Mispostings - Principal and interest were incorrectly posted materially affecting net loss and a routine software upgrade left a material misstatement in the payroll allocation. Both material misstatements were subsequently corrected. The problem is that no one detected them.

Recommendation - Correct principal and interest entries have been provided to management. Procedures that detect and prevent misstatements should be devised and implemented. A procedure as simple as reviewing the trial balance or a similar report usually suffices to identify oddities.

Response - Procedures will be reviewed and revised as necessary to ensure that misstatements are prevented, detected and corrected in a timely manner.

Conclusion - Response accepted.

#### **INSTANCES OF NON-COMPLIANCE**

No matters were noted.

# **MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY**

## **Schedule of Findings Year Ended December 31, 2013**

### **Part II     Other Findings Related to Required Statutory Reporting:**

- 1) Certified Budget - The Utility's budget is filed as part of the City of Manning's budget. The disbursements during the year ended December 31, 2013 did not exceed amounts budgeted by the Manning Municipal Communications and Television System Utility.
- 2) Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.
- 3) Business Transactions - There were no business transactions between the Utility and Utility officials.
- 4) Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with the minimum statutory provisions required. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 5) Board Minutes - Transactions were found that I believe should have been approved in the Board minutes but were not.

It was noted during a review of the minutes that checks 13640 – 13684 and ACH payments 514 - 524 were presented and approved at both the April and May meetings. Checks 13685 - 13728 and ACH payments 525 - 533 were never presented or approved for payment.

In addition, it was noted that only 2 of 13 board minutes were published timely within fifteen days and that the January 2013 minutes were neither signed nor in the minute book.

Recommendation - Procedures should be reviewed and revised to ensure that claims are presented correctly, that minutes are published timely, signed and filed in the minute book.

Response - We will comply by publishing minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. We will also list claims correctly, sign and file minutes timely.

Conclusion - Response accepted.



**MANNING MUNICIPAL COMMUNICATIONS  
AND TELEVISION SYSTEM UTILITY**

**Schedule of Findings  
Year Ended December 31, 2013**

**Part II      Other Findings Related to Required Statutory Reporting:**

- 6) Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.
- 7) Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 8) Financial Condition - The Utility had a fund deficit of \$476,491 at December 31, 2013.

Recommendation - The Utility should investigate alternatives to eliminate this deficit in order to return the Utility to a sound financial position.

Response - The deficit is largely the result of predatory competition in a deregulated environment as discussed in our management's discussion and analysis letter. We are considering ways to reduce the deficit.

Conclusion - Response accepted.



## **NEWS RELEASE**

### **MANNING MUNICIPAL COMMUNICATION AND TELEVISION SYSTEM UTILITY**

**MANNING, IOWA 51455**

Muxfeldt Associates, CPA, P.C. of Harlan, Iowa today released an audit report on the Manning Municipal Communication and Television System Utility for the year ended December 31, 2013.

Muxfeldt Associates, CPA, P.C. reported that the Utility's revenue totaled \$799,945 for the year ended December 31, 2013, a 7 percent decrease from 2012. The revenues included \$304,775 in cable TV revenue, \$260,359 in telephone revenue, \$202,732 in internet revenue, \$31,342 in other revenue, and \$737 in interest income.

Expenses for the year totaled \$831,273, a 1 percent increase from 2012. The expenses included \$368,899 for production, \$238,591 for administration and general expenses, \$176,849 for rent, \$31,778 for depreciation and \$15,156 for interest expense.

A copy of the audit report is available for review in the office of the Manning Municipal Communication and Television System Utility, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports.htm>.

